



Synergistic Benefits of **Small** and **Large** Business Partnerships



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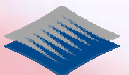
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U.S. A/E Firm Demographics 2000

- 4 Mega Firms (more than 10,000 employees)
- 140 Large Firms (more than 500 employees)
- 500 Medium Firms (100 – 500 employees)
- 63,350 Small Firms (fewer than 100 employees)
- In the U.S., 2% of architecture and 4% of engineering firms produce over \$5M in annual revenue



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Industry Trends

- Partnerships and alliances are going to be more necessary than ever
- Assemble whatever disciplines are needed
- Partnerships must have a decided and defined purpose
- Must align team to the changing criterion of projects, clients or marketplace



Industry Trends

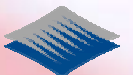
- Mega firms or “boutique” specialized, smaller firms (partner with each other or internally)
- Partnership with client
- Unique pioneering = increasing business and entrepreneurial skills
- Strong communication and people skills
- High technical skills



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What is a Partnership?

- Two or more people doing together what we can't do alone
- Singular purpose
- Leverage
- Firms do not have relationships, people do



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Why Partner?

- Secure access to new markets or beat others to them
- Gain new skills or area of competence
- Respond to change more quickly
- Adapt to change with greater flexibility
- Succeed without key resources



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Why Partner?

- According to Ernst & Young research companies with successful alliances get a sizeable portion – more than 20% - of their revenues from such alliance relationships
- The Fortune 500 most active in alliances boast of ROE's 40% higher than the Fortune 500 average



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Why Partner?

“[We] can’t make it alone, but together anything is possible.”

--Bill Gates
Microsoft



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Before You Partner

Issues to consider before entering a partnership

- Marketing agreements
- License agreements
- Supply agreements
- Outsourcing agreements
- Facilities management agreements



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Issues to consider before entering a partnership

- Guarantees
- Letters of credit
- Proprietary rights agreements
- Non-competition agreements



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Questions to ask before entering a partnership

- What partnerships are already in place?
- Is there an established evaluation process to identify potential partnerships?
- What procedures should be followed for structuring deals?
- How do we keep score for the partnership?
- Who is in charge of evaluating partnership activity?



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Successful Partnerships

- Partner selection (time up front to build the team)
- Disciplines mesh (little competition between services or skills)

“Strive for businesses that complement each other...like the man who was a veterinarian and a taxidermist: ‘Either way, you get your dog back.’”

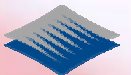
--Mike Buckman
American Express



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Successful Partnerships

- Common goal – project , contract, market, etc.
- Distinct purpose that is higher than either firm or partner
- Clearly understood roles – no gray areas of overlapping responsibility
- The partnership *is the project* of the leaders



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Successful Partnerships

- Total commitment (all personnel/all partner participants)
- Trust (each partner does what they say)
- Clearly articulated evaluation and performance criteria
- Relationship building (multi-level buy in)



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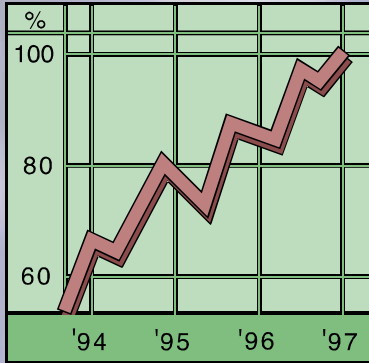


Successful Partnerships

- Partners want to win

“People who say, ‘Winning isn’t everything; it’s how you play the game,’ should move to Buffalo

--anonymous NFL coach



Performance Evaluation

- Market share
- New products
- Technical expertise gained
- Directional, quantitative and worthwhile



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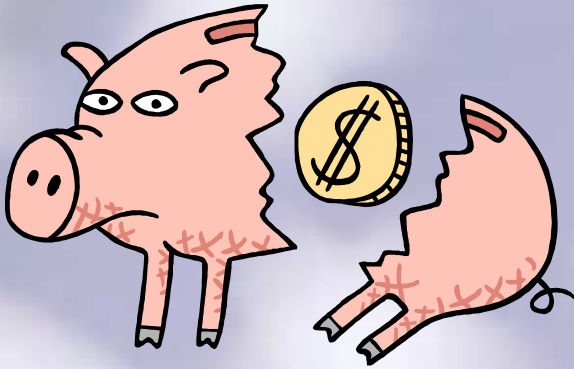


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What Causes Partnerships to Come Apart?



- Inadequate communications
- Differing expectations
- Differing culture
- Economy or external conditions change
- Cost involved

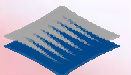


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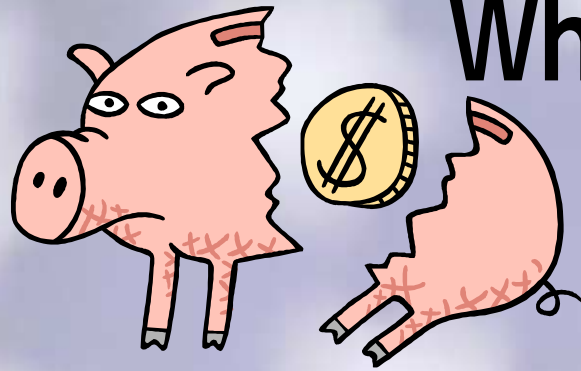


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What Causes Partnerships to Come Apart?

- No equal partnerships
- No one in charge of the partnership
- Partnership diverts or distracts from each participants goals or purpose
- Sometimes competes with individual partners' resources (time, management, \$)
- Becomes a burden

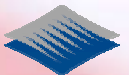


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Synergistic Benefits

- Responsiveness
- Access to and application of specialties for project needs
- Motivated, focused attention
- Orientation to greatness
- The client and/or project is well-served
- Ability to compete with giants while maintaining core market focus



Synergistic Benefits

- Diversification of experience and differentiation
- Avoid added overhead
- Strengthen weaknesses
- Learn from each other's best practices
- Creatively provide value-added services
- Expand geographical and/or market reach



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Synergistic Benefits

- Repeat business
- Enhanced image
- “Long haul” perspective
- Competency and capability of small business raised
- Meet government goals in a win-win manner



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Conclusion

No one can do it all, or do it all well

“**Collabronauts**’ bring organizations closer together, introduce people, and build relationships among groups that can initially seem like aliens to one another. They convince their colleagues to forget the old rules and try something new, something that comes with having partners.”

--Dr. Rosabeth Kanter
author of *Evolve!*



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